

**MINUTES OF REGULAR MEETING
ILLINOIS GAMING BOARD
JULY 21, 1998
CHICAGO, ILLINOIS**

NOTE: ITEMS IN **BOLDFACE PRINT** REFLECT OFFICIAL BOARD ACTIONS

The Illinois Gaming Board ("Board") held its Regular Meeting on July 21, 1998 in the auditorium on the 5th floor of the State of Illinois Building, Chicago, Illinois, pursuant to the Illinois Open Meetings Act, 5 ILCS 120.

The following Board Members were present: J. Thomas Johnson, Chairman; and Members William B. Browder, Gayl S. Pyatt, Terry A. Scrogum and Robert F. Vickrey.

Also in attendance were: Administrator Michael A. Belletire, Deputy Administrators Joseph Haughey, Allan McDonald, and Thomas Swoik, Chief Counsel Mareile' Cusack, other members of the staff, the media, the general public and interested parties.

Chairman Johnson called the meeting to order at 9:30 a.m. Member Browder moved **that the Board retire to Closed Session pursuant to Section 2(c), paragraphs (1), (4), (11), (14) and (21) of the Open Meetings Act, to discuss the following subject matters:**

- 1. Issues Concerning Applicants and Licensees**
- 2. Recommendations of Administrative Law Judges**
- 3. Investigatory Matters**
- 4. Personnel Matters**
- 5. Closed Session Minutes**

Member Pyatt seconded the motion. The Board adopted the motion by unanimous consent.

The Board convened in Open Session at 1:40 p.m.

Board Minutes

Member Scrogum moved **that the Board approve the minutes from the open and closed sessions of the May 19, 1998 regular meeting.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

Chairman's Report

The Chairman stated that the Board will convene a special meeting in August to address issues that have arisen that require Board attention. The next regularly scheduled meeting will be September 8.

Due to the number of renewals associated with the July meeting the Chairman asked the Administrator to recommend steps that might serve to modify the renewal schedule so that four licensees are not being considered at one time. The Chairman asked owner licensees to relay any suggestions they may have to the Administrator.

The Chairman announced that he and member Browder will be golfing Friday, August 24. He stated that he does not perceive it to be a technical violation of the Open Meetings Act.

Administrator's Report

Administrator Belletire summarized the following monthly reports: Adjusted Gross Receipts; Underage Patrons; Cruise Disruptions/Cancellations; Credit Issuance; and Internal Control System changes.

The Administrator observed that overall table game revenue averaged about 24 percent of total AGR for the first five months of 1998. In the comparable period for 1997, table games accounted for 27 percent of AGR. Looking back, table games accounted for 39 percent of AGR in 1993, 34 percent in 1994, 31 percent in 1995 and 28 percent in 1996. Administrator Belletire stated that the trend may warrant attention, perhaps to determine the extent to which casinos create the trend, rather than follow it.

The Administrator also reported that:

- Boyd Gaming announced it has sold its Sam's Town operation in Kansas City, Missouri. The tangible assets have been sold to Harrah's. Harrah's will not operate the property.
- The Board has retained the services of one financial services advisor, Nick Wilke. Negotiations continue with a second firm that may be placed under contract. In addition, the RFP has been reissued to seek additional prospective advisors.
- The selection process for outside legal counsel for the Board continues.

Owner Licensee Items

EMPRESS ENTERTAINMENT, INC. ("Empress") - Michael Hansen, representing Empress, requested a waiver of the two meeting rule and asked the Board to consider the approval of a transfer of ownership from Gayle Franzen, a minority owner, to the corporation, EEI.

Chairman Johnson asked if it will be a treasury stock purchase. Mr. Hansen concurred.

The Administrator stated that staff recommends approval of this transaction at this meeting since the acquirer of the interest is the parent corporation whose shareholders are currently in good standing with the Board. There is only one shareholder, who is from Indiana, currently pending approval in Illinois. The transfer of shares is part of the resolution of pending litigation between the parties.

Member Scrogum moved **that the Board waive the two meeting rule to consider the transfer of ownership proposed by Empress Entertainment, Inc.** Member Vickrey seconded the motion. The Board approved the motion unanimously by voice vote.

Member Scrogum moved **that the Board approve the proposed purchase by Empress Entertainment, Inc. of approximately one percent of the outstanding shares of EEI from one of the company's existing shareholders.** Member Vickrey seconded the motion. The Board approved the motion unanimously by voice vote.

ALTON GAMING COMPANY ("AGC") - Don Malloy, representing AGC, requested approval of its request for a waiver of the cruising requirement to allow the completion of Coast Guard mandated safety repairs.

Member Pyatt moved **that the Board approve Alton Gaming Company's request for a waiver of Board Rule 3000.510 to allow Alton Gaming to conduct gaming while remaining dockside while preventive maintenance is being performed on the main propulsion system and the bow thruster system of the Alton Belle II.** Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

PAR-A-DICE GAMING COMPANY ("PGC") - David Daley, representing PGC, requested approval of Billy G. McCoy as a Key Person and Stacy Lester as the Internal Auditor.

Member Browder moved **that the Board approve Billy G. McCoy as a Key Person of Par-A-Dice Gaming Company.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

Member Browder moved **that the Board approve Stacy Lester as a Level 1 Occupational Licensee of Par-A-Dice Gaming Company.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

CASINO QUEEN, INC. - Edward Duffy, representing Casino Queen, requested approval of a redevelopment agreement that has been negotiated with the City of East St. Louis and the SouthWestern Illinois Development Authority (“SWIDA”).

Member Vickrey asked when Casino Queen anticipates breaking ground for the hotel. Mr. Duffy stated that the architects have been engaged, and they are interviewing a general contractor. He anticipates breaking ground in October, 1998.

Chairman Johnson asked if the financing is to come out of cash flow of the casino operations or if Casino Queen is contemplating external financing. Mr. Duffy stated that it is expected, pending the approval of the Casino Queen board, that the project will be financed through a combination of external and internally generated capital.

Member Pyatt asked for clarification about the ownership of the property being developed. Mr. Duffy stated that all the property has been acquired and is under Casino Queen’s ownership.

In response to Member Vickrey, Mr. Duffy stated that the hotel will have 150 rooms and will be a full service hotel. It is proposed that the hotel will be constructed on the southside of the pavilion. Member Vickrey asked if the building to land ratio will accommodate future expansion. Mr. Duffy concurred and stated that Casino Queen currently owns 55 acres.

Member Vickrey moved **that the Board approve the development proposal submitted by Casino Queen and described in the Redevelopment Agreement between Casino Queen and the City of East St. Louis. This approval is subject to review and approval by the Board of project-specific external financing for this development.** Member Scrogum seconded the motion. The Board approved the motion unanimously by voice vote.

Mr. Duffy requested renewal of the Casino Queen’s owner’s license.

Administrator Belletire noted that issues raised by the Board in 1997 have been addressed by the licensee including a major overhaul of how its Foundation has been operating. He also observed that the licensee has exhibited a low cruising rate over the past year. He recommended license renewal.

Member Pyatt moved **that the Board renew the owner’s license of Casino Queen for a period of one year commencing July, 1998.** Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

EMPRESS ENTERTAINMENT, INC. (“Empress”) - Michael Hansen and David Fendrick, representing Empress, requested renewal of Empress’ owner’s license.

Administrator Belletire stated that staff still has some on-going concerns with the licensee’s credit and procurement practices. The Administrator gave an overview of the problems/concerns and recommended a compliance audit be conducted during the coming year regarding credit policies and practices.

Member Vickrey asked if Empress has plans to expand the hotel. Mr. Fendrick stated that the company has no plans at this time to expand. Mr. Vickrey also commended the licensee for its significant capital investments.

Member Scrogum moved **that the Board renew the owner’s license of Empress Casino-Joliet (“Empress”) for a period of one year expiring July, 1999. In renewing the license, the Board notes its continued concerns regarding Empress’ procurement policies and procedures and its Internal Controls. The Board directs Empress to work with the Administrator to assure that these policies and procedures are revised to the Board’s satisfaction during the forthcoming licensure period.**

I further move that the Board direct the Administrator to engage, at the expense of the licensee, an audit firm to conduct a compliance review of Empress’ credit practices and procedures. Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

Mr. Hansen requested Board authorization for Empress to conduct gaming during forthcoming preventive maintenance to be conducted on the Empress II.

Member Scrogum moved **that the Board approve Empress Joliet’s request for a waiver of Board Rule 3000.510 to allow Empress-Joliet to conduct gaming while remaining dockside while a full overhaul of the bow thruster engine and an underwater hull inspection is being performed on the Empress II.** Member Vickrey seconded the motion. The Board approved the motion unanimously by voice vote.

Mr. Hansen requested approval of Joseph Canfora as the President of Empress Casino Joliet.

Member Browder moved **that the Board approve Joseph J. Canfora as a Level 1 Occupational Licensee of Empress Entertainment, Inc.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

DES PLAINES DEVELOPMENT LIMITED PARTNERSHIP (“Harrah’s”) - George Loveland, Tim Wilmott and Tom O’Donnell, requested renewal of the owner’s license for

Harrah's Joliet Casino. Board members were provided information on Harrah's proposal to build a 200 room hotel adjacent to the casino docksite.

The Administrator reported one area of concern regarding personnel procedures. Staff recommends a review of the personnel system and renewal of the license.

Member Vickrey congratulated Harrah's on its decision to build a hotel. Mr. O'Donnell stated that the hotel would be built on the North side of the pavilion.

In response to member Vickrey, Mr. O'Donnell stated that the project will commence mid-September. Chairman Johnson advised Harrah's to request to be on the agenda of the August special meeting to request initial consideration to move forward with this project.

Chairman Johnson asked Mr. Wilmott to give the Board an update on the Showboat acquisition in East Chicago, Indiana. Mr. Wilmott stated that the acquisition was completed on June 1. Harrah's paid \$30.75 per share in cash. Harrah's assumed approximately \$550 million in equity and \$635 million of existing Showboat debt. He further stated that Showboat East Chicago will be renamed Harrah's East Chicago. The conversion will begin shortly and the rebranding of the property will occur during the first two quarters of 1999.

Chairman Johnson asked what assurances Harrah's can provide that the two properties will remain direct competitors so that Illinois and Indiana get their fair share of the market place. Mr. Wilmott responded that the Chicagoland area is a very strong market. He stated that both properties will be instructed to view each other as competitors. Each of the management teams will have independent revenue, income and other business objectives.

Chairman Johnson asked Mr. Wilmott to explain the asset that Harrah's Joliet is selling to the newly acquired East Chicago property. Mr. Wilmott stated that Harrah's has identified in excess of 200,000 names as Harrah's Joliet "defectors". These are individuals registered with Harrah's Joliet that have not had gaming activity at Harrah's Joliet in the last 12 months. He stated that Harrah's Joliet has elected to sell the names of these former patrons to the East Chicago operation for \$75.00 per 1,000 names.

In response to Chairman Johnson, Mr. Wilmott stated that Harrah's had conducted market research with a representative sample of persons on the "defector" list. Harrah's found that 70 percent of those sampled are patrons gaming in Northwest Indiana today; 11 percent have not gambled in the last 12 months; and 19 percent are currently gambling at other Illinois operations. The majority are Indiana residents or live in close proximity to the Northwest Indiana operations.

Member Vickrey moved **that the Board renew the owner's license of Des Plaines Development Limited Partnership for a period of one year, expiring August, 1999. In renewing the license the Board orders Harrah's to cooperate with the Board in a review of the licensee's personnel screening and hiring policies and practices in order to assure future compliance with Board rule 3000.150(a).** Member Scrogum seconded the motion. The Board approved the motion unanimously by voice vote.

Mr. Loveland requested approval of Mr. O'Donnell as Senior Vice President and General Manager of Harrah's Joliet.

Member Pyatt moved **that the Board approve Thomas E. O'Donnell as a Level 1 Occupational Licensee of Des Plaines Development Corporation.** Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

HOLLYWOOD CASINO AURORA ("HCA") - Edward Pratt, requested renewal of HCA's owners license.

The Administrator stated that staff had no major concerns with this licensee and recommended renewal. He noted the licensee continues to work on a solution to the management services contract issue.

Member Pyatt moved **that the Board renew the owner's license of Hollywood Casino-Aurora ("HCA") for a period of one year expiring July, 1999. In renewing the license the Board notes its continued concern with HCA's management agreement with Pratt Management, LP.** Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

ELGIN RIVERBOAT RESORT ("ERR") - Donna More requested approval of Daniel Azark as a Key Person of Elgin Riverboat Resort.

Member Browder moved **that the Board approve Daniel Azark as a Key Person of Elgin Riverboat Resort.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

Supplier

CASINO DATA SYSTEMS ("CDS") - Donna More and Steve Boelhouwer, requested renewal of CDS' suppliers license.

The Administrator stated that the staff is recommending a restricted one year license. He stated that CDS' former Chief Executive Officer was found to have disguised a criminal

record. The company did not detect this and has been advised that it should implement revised hiring and screening procedures.

Ms. More stated that a new CDS due diligence policy has been submitted to Board staff. Staff was also provided a list of outside employment agencies that CDS is using. Mr. Boelhouwer stated that, until recently CDS' due diligence work was performed on an informal ad hoc basis. In the Spring of this year the policy was reformed to include multiple levels of review for new employees tied to the level of authority and responsibility the employee has within the company.

Member Scrogum moved **that the Board approve Casino Data Systems ("CDS") application for renewal of its supplier's license and issue CDS a one year restricted license expiring July, 1999. In issuing this restricted license, the Board orders CDS to demonstrate to the satisfaction of the Board that the company has improved its hiring, screening and employment policies and practices.** Member Vickrey seconded the motion. The Board approved the motion unanimously by voice vote.

BALLY GAMING, INC.

Member Browder moved **that the Board approve Jacques P. Andre as a Key Person of Bally Gaming, Inc.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

Occupational Licensees

Member Vickrey moved **that the Board approve 73 applications for an Occupational License, Level 2, and 232 applications for an Occupational License, Level 3, and deny 3 applications for an Occupational License, Level 2 and 3 applications for an Occupational License, Level 3.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

Complaints & Disciplinary Actions

Member Pyatt moved **that the Board issue a disciplinary complaint against Rock Island Boatworks and issue a fine against the licensee in the amount of \$10,000. The complaint involves Casino Rock Island's failure to maintain adequate staffing of marine personnel.** Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

Having reviewed the staff reports, Member Scrogum moved **that the Board issue disciplinary actions against Nadine Morgan, Ronald Jelinek and Suchado Moonsap and revoke their respective occupational licenses.** Member Vickrey seconded the motion. The Board approved the motion unanimously by voice vote.

Board Policy Items

BLACKJACK WIN CARDS - Cory Aronovitz, representing Gaming International, Inc., requested approval of a Blackjack Win Card for use at Illinois casino operations.

Chairman Johnson asked what the method of distribution would be. Mr. Aronovitz stated that typically the cards are distributed in a “three pack” customized by the licensee for use at its casino. The “three pack” typically includes a Craps Win Card, a Roulette Win Card, a Blackjack Win Card and \$10.00 in chips. Some “three packs” may have a match play coupon and a “tip chip” for the dealer. The “three pack” is sold to the licensee by Gaming International, Inc. The licensee then distributes it to patrons, usually at no charge, based upon a buy-in.

Chairman Johnson asked if the casino’s name would be printed on the Win Card. Mr. Aronovitz stated that it is up to the jurisdiction in which the cards are distributed. The Chairman expressed his concern that the licensee would be perceived as endorsing the method of play or how the bet or wager is made if the casino’s logo were on the card.

Mr. Aronovitz stated that there are many disclaimers on the cards themselves that say it is a novelty and that the card reflects only one way to play the game. The card is meant to be used as a teaching apparatus and once the player has a basic understanding they should play the game on their own with their own knowledge. Mr. Aronovitz further stated that the card is used as a promotional item to assist players that may feel intimidated in playing live table games.

Chairman Johnson asked if the other two types of Win Cards (Craps & Roulette) are being marketed in Illinois at this time. Mr. Aronovitz responded that the cards are not currently being distributed individually because there is a better market if all three cards are put together in one package.

Member Vickrey asked how many Illinois licensees are interested in this product. Mr. Aronovitz stated that he knows of two licensees interested in the product. Member Vickrey asked when was the last time Mr. Aronovitz spoke to all the licensees about this product. Mr. Aronovitz was unsure of the timeframe. Member Vickrey asked Mr. Aronovitz to find out by the next Board meeting how many licensees have an interest in using the Win Cards. Member Vickrey stated that there may be a case for allowing the use of Win cards due to the decrease in table game revenues.

Chairman Johnson asked Mr. Aronovitz to also find out how the licensees would feel about not having the casino designation on the product.

Member Browder moved **that the Board approve an exception under Section 8(d)(3)(IV) of the Riverboat Gambling Act to permit the use of Blackjack Win Cards produced by Gaming International, Inc. to be used by patrons in Illinois**

casinos. This approval is conditioned upon the approval of the card's use by each licensee; and the further condition that the card not be distributed under the name of Illinois licensees.

Member Vickrey asked Member Browder for clarification of his motion. He asked if the Win Cards could be distributed by Illinois licensees but not in the name of an Illinois licensee. Member Browder responded affirmatively.

Administrator Belletire stated that Win Cards first came to the Board's attention in 1995. The staff's review of licensees at that time found that three owner licensees were in favor of using the devices and five were opposed. He further stated that member Browder's motion addressed the concern that no individual casino would be compelled to allow the Win Card at its property.

Member Pyatt asked if a person who obtained a Win Card at one casino would be able to use it at another casino. Chairman Johnson stated that his interpretation of the motion is that each licensee can make the decision whether the Win Cards are to be used in its casino.

Member Scrogum asked Member Browder for clarification. He asked if each owner licensee had to approve the use of Win Cards before it could be used at any Illinois casino. Member Browder stated that the licensee only has to approve the use of the Win Card in its own facility.

Member Vickrey seconded the motion. The Board approved the motion unanimously by voice vote.

RULES - Mareile' Cusack stated that the proposed Key Persons rules were previously approved by the Board for first notice filing. Three comments were received from interested parties and staff made changes that were appropriate based on the comments. Ms. Cusack asked that the Board approve the second notice filing of the rules with the Joint Committee on Administrative Rules.

Member Scrogum moved **that the Board approve the second notice filing of the proposed Key Person rules submitted to the Board for this July meeting.** Member Vickrey seconded the motion. The Board approved the motion unanimously by voice vote.

SUBPOENA - Mareile' Cusack stated that the Board received a subpoena from DuPage County requesting that the Board provide a personal disclosure form and background investigation reports concerning a person who is licensed by the Board. Ms. Cusack stated that under Section 6(d) of the Act, this information is considered confidential

unless the Board makes an exception and allows for disclosure. Ms. Cusack asked the Board to consider whether staff should proceed with the submission or request that the Attorney General quash the subpoena on the Board's behalf.

Member Pyatt moved **that the Board direct the Administrator to contact the Office of the Illinois Attorney General and seek representation in moving to quash the subpoena received regarding DuPage County case number 96 CF 2592 dated July 17, 1998.** Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

There being no further business to come before the Board, Member Scrogum moved **that the Board stand adjourned.** Member Vickrey seconded the motion. The Board approved the motion unanimously by voice vote and adjourned at 2:58 p.m.

Respectfully submitted,

Susan O. Weber
Secretary of the Board